

CITY OF BELLE PLAINE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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City of Belle Plaine

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Daily	Mayor	Jan 2008
Harold Ealy	Mayor Pro tem	Jan 2008
Dick Wells	Council Member	Jan 2008
Steve Beck	Council Member	Jan 2010
Marv DeRycke	Council Member	Jan 2010
Jim Kurovski	Council Member	Jan 2010
Kaye Buch	Clerk/Treasurer	Indefinite
Larry Schlue	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Belle Plaine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2007 on our consideration of the City of Belle Plaine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 29 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belle Plaine's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

September 18, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Belle Plaine provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the City of Belle Plaine's governmental activities increased \$82,607, from fiscal 2006 to fiscal 2007. Property tax increased \$8,110 and road use decreased \$4,340, and the local option sales tax decreased \$70,227.
- Disbursements increased in the areas of community & economic development, capital projects and business types from June 30, 2006 to June 30, 2007. The increases were \$27,024, \$159,938, and \$42,384 respectively. Decreases were in public safety, public works, health and social service, culture & recreation, general government, and debt service by \$12,301, \$29,399, \$5,940, \$56,703, \$8,842 and \$130,146 respectively.
- As Belle Plaine completed this year, its governmental funds reported a combined fund balance of \$1,307,857 an increase of \$277,252 above last year's total of \$1,030,605. The following are the major reasons for the change in fund balances of the major funds from the prior year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the

financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and garbage. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursement and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$61,236 from a year ago, increasing from \$131,417 to \$192,653. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$102,156	115,648
Operating grants, contributions and restricted interest	521,700	411,143
Capital grants, contributions, and restricted interest		
General receipts		
Property Tax	880,931	858,887
Unrestricted investment earnings	38,296	25,067
Local Option Sales Tax	228,810	299,037
Other general receipts	37,656	46,160
Transfers	29,000	-
Total receipts and transfers	<u>1,838,549</u>	<u>1,755,942</u>
Disbursements:		
Public safety	344,252	335,867
Public works	338,178	367,577
Health and social services	15,246	5,940
Culture and recreation	300,628	88,343
Community and economic development	33,713	6,614
General government	152,491	61,333
Debt service	198,285	28,431
Capital projects	207,504	47,566
Total disbursements	<u>1,590,297</u>	<u>1,541,671</u>
Increase in cash basis net assets	277,252	214,271
Cash basis net assets beginning of year	<u>1,030,605</u>	<u>816,334</u>
Cash basis net assets end of year	<u>\$1,307,857</u>	<u>1,030,605</u>

The City's total receipts for governmental activities increased \$82,607. The total cost of all programs and services increased by \$48,626. The increase in property taxes was the result of increased taxable value in property. The tax rate held steady with a slight increase from \$15.61 to \$15.63 per thousand valuation.

The increase of taxes for 2007 raised the City's property tax receipts by \$22,044. Property taxes are expected to decrease by \$66,440 next year due to increases in the total assessed valuation, the local option sales tax and a decrease in debt service.

The cost of all governmental activities this year was \$1,590,297 compared to \$1,541,671 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$ 594,976 because some of the cost was paid by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest \$995,321. Debt service totaled \$ 198,285 compared to \$ 328,431 in 2006.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Receipts:		
Program receipts:		
Charges for service		
Water	\$287,771	303,785
Sewer	265,831	209,747
Garbage	197,079	192,815
Operating grants, contributions and restricted interest	4,100	4,750
General receipts:		
Other general receipts	<u>84,137</u>	<u>21,558</u>
Total Receipts	\$ 838,918	\$ 732,655
Disbursements and transfers:		
Water	\$384,734	\$ 275,807
Sewer	203,399	280,516
Garbage	192,271	199,347
Meter Deposits	6,235	5,295
Transfers	<u>29,000</u>	
Total disbursement & transfers	\$ 815,639	\$ 760,965
Change in cash basis net assets	23,279	(28,310)
Cash basis net assets beginning of year	\$ <u>684,657</u>	\$ <u>712,967</u>
Cash basis net assets end of year	\$ <u>707,936</u>	\$ <u>684,657</u>

Total business type activities receipts for the fiscal year were \$838,918 compared to \$732,655 last year. The cash balance increased by \$23,279. Total disbursements for the fiscal year increased to a total of \$815,639 compared to \$760,965 last year. Increase of \$54,674.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Belle Plaine completed this year, its governmental funds reported a combined fund balance of \$1,307,858, an increase of \$ 277,253 above last year's total of \$ 1,030,605. The following are the major reasons for the change in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$ 61,236 from the prior year. The increase of property taxes \$3,362 and a decrease in local option sales tax (\$70,227).
- The Road Use Tax Fund cash balance remained the same at \$10,012.
- The Urban Renewal Tax Increment Fund received \$119,692 for the fiscal year 2007. This was an increase of \$6,424 from last year.
- The Debt Service Fund cash balance increased from \$8,229 to \$72,603.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance remained steady with an increase of \$174 with a balance at the end of the year of \$355,069 due primarily to an increase in the sale of water and reductions in debt service payments over the prior year.
- The Sewer Fund cash balance decreased \$20,432 with the balance of at the end of the year of (\$49,525), due a slight decrease in sewer service sales.
- The Garbage Fund cash balance remained steady with an increased of (\$4,808) with a balance at the end of the year of \$55,375.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 21, 2007 in the amount of \$198,200.

DEBT ADMINISTRATION

On June 30, 2007, the City has \$600,000 outstanding in bonds and other long-term debt, compared to \$765,000 last year as shown below.

Outstanding Debt at Year End

	<u>Year ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 255,000	335,000
Urban renewal tax increment financing	345,000	430,000
Revenue notes	-	<u>15,000</u>
Total	<u>\$ 600,000</u>	<u>780,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$600,000 is significantly below its constitutional debt limit of \$4,517,069.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Belle Plaine's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various Belle Plaine activities. One of those factors is the economy. Unemployment in Belle Plaine (Benton County) now stands at 4.7 percent versus 6.2 percent a year ago. This compares with the State's unemployment rate of 3.4 percent and the national rate of 3.9 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3% percent for the fiscal year 2007 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2006-2007.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are \$2,511,564, an increase of \$22,967 over the final 2007 budget. Property tax (benefiting from the 2007 rate increases and

increases in assessed valuations) and proceeds from a newly formed local option sales tax within the county/city are expected to help with maintaining the budget. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to decrease by \$39,948. Completion of a airport project represent the largest decreases in disbursements.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$73,234 by the close of 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kaye Buch, City Clerk, 1207 8th Avenue, Belle Plaine, Iowa 52208.

City of Belle Plaine

Basic Financial Statements

City of Belle Plaine

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 344,252	18,748	413	-
Public works	338,178		253,796	-
Health and social services	15,246	12,000		2,599
Culture and recreation	300,628	35,376	47,067	1,602
Community and economic development	33,713		39,378	-
General government	152,491	22,098	-	-
Debt service	198,285	-	-	-
Capital projects	207,504	-	1,974	217,805
Total governmental activities	1,590,297	88,222	342,628	222,006
Business type activities:				
Water	400,597	278,666	-	-
Sewer	203,399	235,310	-	-
Garbage	192,271	197,079	-	-
Meter Deposits	6,235	4,100	-	-
Total business type activities	802,502	715,155	-	-
Total	\$ 2,392,799	803,377	342,628	222,006
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal projects				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(325,091)	-	(325,091)
(84,382)	-	(84,382)
(647)	-	(647)
(216,583)	-	(216,583)
5,665	-	5,665
(130,393)	-	(130,393)
(198,285)	-	(198,285)
12,275	-	12,275
(937,441)	-	(937,441)
-	(121,931)	(121,931)
-	31,911	31,911
-	4,808	4,808
-	(2,135)	(2,135)
-	(87,347)	(87,347)
(937,441)	(87,347)	(1,024,788)
658,525	-	658,525
119,692	-	119,692
102,714	-	102,714
228,810	-	228,810
38,296	29,816	68,112
37,656	109,810	147,466
29,000	(29,000)	-
1,214,693	110,626	1,325,319
277,252	23,279	300,531
1,030,605	684,657	1,715,262
\$ 1,307,857	707,936	2,015,793
10,012	-	10,012
10,840	-	10,840
72,603	26,746	99,349
658,245	-	658,245
556,157	681,190	1,237,347
\$ 1,307,857	707,936	2,015,793

City of Belle Plaine

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2007

	General	Special Revenue		Debt Service
		Road Use Tax	Local Option Sales Tax	
Receipts:				
Property tax	\$ 477,959	-	-	102,714
Tax increment financing collections	-	-	-	-
Other city tax	-	-	228,810	-
Licenses and permits	15,012	-	-	-
Use of money and property	28,430	-	-	-
Intergovernmental	413	239,866	13,930	-
Charges for service	58,160	-	-	-
Special assessments	13,934	-	-	-
Miscellaneous	45,930	-	-	-
Total receipts	639,838	239,866	242,740	102,714
Disbursements:				
Operating:				
Public safety	233,194	-	33,091	-
Public works	30,053	230,769	21,897	-
Health and social services	-	-	-	-
Culture and recreation	183,594	-	29,137	-
Community and economic development	879	-	27,250	-
General government	141,948	-	-	-
Debt service	-	-	-	198,285
Capital projects	-	-	-	-
Total disbursements	589,668	230,769	111,375	198,285
Excess (deficiency) of receipts over (under) disbursements	50,170	9,097	131,365	(95,571)
Other financing sources (uses):				
Operating transfers in	17,646	-	-	159,945
Operating transfers out	(6,580)	(9,097)	(92,138)	-
Total other financing sources (uses)	11,066	(9,097)	(92,138)	159,945
Net change in cash balances	61,236	-	39,227	64,374
Cash balances beginning of year	131,417	10,012	201,232	8,229
Cash balances end of year	\$ 192,653	10,012	240,459	72,603
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	72,603
Unreserved:				
General fund	192,653	-	-	-
Special revenue funds	-	10,012	240,459	-
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 192,653	10,012	240,459	72,603

See notes to financial statements

Capital Projects Four Corners Industrial Center	Permanent		Other Nonmajor Governmental Funds	Total
	Equipment Accruals	Library Improvements		
			166,632	747,305
-	-	-	119,692	119,692
-	-	-	-	228,810
-	-	-	-	15,012
122	-	9,744	4,201	42,497
-	-	-	-	254,209
-	-	-	15,050	73,210
-	-	-	-	13,934
219,779	36,157	29,566	12,448	343,880
219,901	36,157	39,310	318,023	1,838,549
-	20,686	-	57,281	344,252
-	-	-	55,459	338,178
-	-	-	15,246	15,246
-	43,163	16,855	27,879	300,628
-	-	-	5,584	33,713
-	-	-	10,543	152,491
-	-	-	-	198,285
207,504	-	-	-	207,504
207,504	63,849	16,855	171,992	1,590,297
12,397	(27,692)	22,455	146,031	248,252
-	91,053	-	-	268,644
-	-	(14,746)	(117,083)	(239,644)
-	91,053	(14,746)	(117,083)	29,000
12,397	63,361	7,709	28,948	277,252
13,944	189,048	227,002	249,721	1,030,605
26,341	252,409	234,711	278,669	1,307,857
-	-	-	-	72,603
-	-	-	-	192,653
-	-	-	107,545	358,016
26,341	-	-	-	26,341
-	252,409	234,711	171,125	658,245
26,341	252,409	234,711	278,670	1,307,858

City of Belle Plaine

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2007

Total governmental funds cash balances (page 17)	\$1,307,857
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Cash basis net assets of governmental activities (page 15)	<u>\$1,307,857</u>
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Net change in cash balances (page 17)	\$ 277,252
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Change in cash balance of governmental activities (page 15)	<u>\$ 277,252</u>
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See notes to financial statements

City of Belle Plaine

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise Funds		
	Water	Sewer	Garbage
Operating receipts:			
Use of money and property	\$ 5,910	23,906	-
Charges for service	278,666	235,310	197,079
Miscellaneous	3,195	6,615	-
Total operating receipts	287,771	265,831	197,079
Operating disbursements:			
Business type activities	384,734	203,399	192,271
Total operating disbursements	384,734	203,399	192,271
Excess (deficiency) of operating receipts over (under) operating disbursements	(96,963)	62,432	4,808
Non-operating receipts (disbursements):			
Miscellaneous	100,000	-	-
Debt service	(15,863)	-	-
Total non-operating receipts (disbursements)	84,137	-	-
Excess (deficiency) of receipts over (under) disbursements	(12,826)	62,432	4,808
Operating transfers in/(out)	13,000	(42,000)	-
Net change in cash balances	174	20,432	4,808
Cash balances beginning of year	354,895	(69,957)	50,567
Cash balances end of year	\$ 355,069	(49,525)	55,375
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved	355,069	(49,525)	55,375
Total cash basis fund balances	\$ 355,069	(49,525)	55,375

See notes to financial statements

Sewer Replacement	Other Nonmajor Proprietary Funds	Total
-	-	29,816
-	4,100	715,155
-	-	9,810
-	4,100	754,781
-	6,235	786,639
-	6,235	786,639
-	(2,135)	(31,858)
-	-	100,000
-	-	(15,863)
-	-	84,137
-	(2,135)	52,279
-	-	(29,000)
-	(2,135)	23,279
317,240	31,912	684,657
317,240	29,777	707,936
-	26,746	26,746
317,240	3,031	681,190
317,240	29,777	707,936

City of Belle Plaine

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2007

Total enterprise funds cash balances (page 20)	\$ 707,936
---	------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of business type activities (page 15)	<u><u>\$ 707,936</u></u>
--	--------------------------

Net change in cash balances (page 20)	\$ 23,279
--	-----------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash balance of business type activities (page 15)	<u><u>\$ 23,279</u></u>
---	-------------------------

See notes to financial statements

City of Belle Plaine

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Belle Plaine is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Belle Plaine has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Benton County Joint E911 Service Board, Benton County Emergency Operations Commissions, Kirkwood Community College Community Education Agreement, and Williamsburg-Marengo-Belle Plaine Drug Task Force Agreement

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for all local option sales taxes collected and expended by the City.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for capital projects going on at the City's airport during the year.

Permanent Funds:

The Equipment Accruals Fund is a savings account for City departments. If departments have funds leftover in their budget for expenditure at the end of the fiscal year, they can transfer the balance

to this fund to save up for larger equipment purchases. Also, any capital donations from the public are accrued here.

The Library Improvement Fund is used to account for donations to the Library and interest earned on the Library's investments. Disbursements from this fund are used to supplement the Library's ongoing operations.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage fund accounts for the City's contract with Waste Management, Inc. for garbage and recycling pick up.

The Sewer Replacement Fund is utilized as a savings fund for future sewer repair and replacement.

The City also reports the following additional proprietary funds:

A Water Revenue Bond Sinking Fund is utilized per debt covenants on Revenue Bonds.

A Meter Deposits Fund is utilized to account for customer deposits for water and sewer services.

C. Measurement Focus and Basis of Accounting

The City of Belle Plaine maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of

the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	\$ 984,275	\$ 984,275	Various Dates

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest
2008	170,000	30,922	170,000	30,922
2009	180,000	23,827	180,000	23,827
2010	185,000	15,988	185,000	15,988
2011	65,000	2,665	65,000	2,665
Total	\$ 600,000	73,402	600,000	73,402

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$32,648, \$31,220, and \$31,378, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$ 17,836</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue	
	Employee Benefits	\$ 2,900
	Trust & Agency	
	Library Improvement	\$14,746
Debt Service	Special Revenue	
	LOST	\$ 45,762
	TIF	\$114,183
Capital Projects	General	\$6,580
	Special Revenue	
	LOST	\$46,376
	Road Use	\$9,097
	Enterprise	
	Sewer	\$29,000
Enterprise Water	Enterprise	
	Sewer	\$13,000

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$8,038 during the year ended June 30, 2007.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations.

Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Deficit Fund Balance

The Sewer Fund had a deficit balance of \$49,525 at June 30, 2007. The Council is aware of the deficit balance and is working to cure it.

Required Supplementary Information

City of Belle Plaine
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 747,305	-	-
Tax increment financing collections	119,692	-	-
Other city tax	228,810	-	-
Licenses and permits	15,012	-	-
Use of money and property	42,497	29,816	-
Intergovernmental	254,209	-	-
Charges for service	73,210	715,155	-
Special assessments	13,934	-	-
Miscellaneous	343,880	9,810	-
Total receipts	1,838,549	754,781	-
Disbursements:			
Public safety	344,252	-	20,686
Public works	338,178	-	-
Health and social services	15,246	-	15,246
Culture and recreation	300,628	-	68,988
Community and economic development	33,713	-	75
General government	152,491	-	-
Debt service	198,285	-	-
Capital projects	207,504	-	-
Business type activities	-	786,639	-
Total disbursements	1,590,297	786,639	104,995
Excess (deficiency) of receipts over (under) disbursements	248,252	(31,858)	(104,995)
Other financing sources (uses), net	29,000	55,137	-
Excess of receipts and other financing sources over disbursements and other financing uses	277,252	23,279	(104,995)
Balances beginning of year	1,030,605	684,657	-
Balances end of year	\$ 1,307,857	707,936	(104,995)

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
747,305	716,503	716,503	30,802
119,692	100,260	100,260	19,432
228,810	273,118	273,118	(44,308)
15,012	6,300	6,300	8,712
72,313	37,000	37,000	35,313
254,209	507,252	534,877	(280,668)
788,365	816,518	822,618	(34,253)
13,934	3,000	3,000	10,934
353,690	113,748	278,223	75,467
2,593,330	2,573,699	2,771,899	(178,569)
323,566	363,119	392,144	68,578
338,178	318,737	372,837	34,659
-	26,500	26,500	26,500
231,640	317,078	368,078	136,438
33,638	6,500	34,575	937
152,491	168,258	168,258	15,767
198,285	251,473	257,473	59,188
207,504	256,000	281,000	73,496
786,639	792,800	797,800	11,161
2,271,941	2,500,465	2,698,665	426,724
321,389	73,234	73,234	248,155
84,137	-	-	84,137
405,526	73,234	73,234	332,292
1,715,262	1,634,572	1,634,572	80,690
2,120,788	1,707,806	1,707,806	412,982

City of Belle Plaine

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$198,200. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Belle Plaine

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2007

	Special Revenue		Permanent	
	Urban Renewal Tax Increment	Employee Benefits	Medical	Community Center
Receipts:				
Property tax	\$ -	166,632	-	-
Tax increment financing	119,692	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	2,599	1,602
Intergovernmental	-	-	-	-
Charges for services	-	-	12,000	3,050
Special assessments	-	-	-	-
Miscellaneous	-	2,636	-	9,812
				-
Total receipts	119,692	169,268	14,599	14,464
Disbursements:				
Operating:				
Public safety	-	57,281	-	-
Public works	-	55,459	-	-
Health and social services	-	-	15,246	-
Culture and recreation	-	18,909	-	8,970
Community and economic developemnt	5,509	-	-	-
General government	-	10,543	-	-
Capital projects	-	-	-	-
Total disbursements	5,509	142,192	15,246	8,970
Excess (deficiency) of receipts over (under) disbursements	114,183	27,076	(647)	5,494
Other financing sources:				
Operating transfers in/(out)	(114,183)	(2,900)	-	-
Net change in cash balances	-	24,176	(647)	5,494
Cash balances beginning of year	10,840	72,528	81,649	54,561
Cash balances end of year	\$ 10,840	96,704	81,002	60,055
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 10,840	96,704	-	-
Permanent fund	-	-	81,002	60,055
Total cash basis fund balances	\$ 10,840	96,704	81,002	60,055

See accompanying independent auditor's report

<u>Economic Development</u>	<u>Total</u>
-	166,632
-	119,692
-	-
-	4,201
-	-
-	15,050
-	-
-	12,448
-	318,023
-	57,281
-	55,459
-	15,246
-	27,879
75	5,584
-	10,543
-	-
75	171,992
(75)	146,031
-	(117,083)
(75)	28,948
30,143	249,721
30,068	278,669
-	107,544
30,068	171,125
30,068	278,669

City of Belle Plaine

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise		
	Water Revenue Bond Sinking	Meter Deposits	Total
Operating receipts:			
Use of money and property	\$ -	-	-
Charges for service	-	4,100	4,100
Miscellaneous	-	-	-
Total operating receipts	-	4,100	4,100
Operating disbursements:			
Business type activities	-	6,235	6,235
Total operating disbursements	-	6,235	6,235
Excess (deficiency) of operating receipts over (under) operating disbursements	-	(2,135)	(2,135)
Operating transfers in/(out)	-	-	-
Net change in cash balances	-	(2,135)	(2,135)
Cash balances beginning of year	26,746	5,166	31,912
Cash balances end of year	<u>\$ 26,746</u>	<u>3,031</u>	<u>29,777</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ 26,746	-	26,746
Unreserved	-	3,031	3,031
Total cash basis fund balances	<u>\$ 26,746</u>	<u>3,031</u>	<u>29,777</u>

See accompanying independent auditor's report

Schedule 3

City of Belle Plaine

Schedule of Indebtedness

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Municipal Building Project - Fire Center	Oct 1, 1995	4.75 - 6.25	\$ 1,023,000
General Obligation Refunding Notes	Jun 10, 2004	2.0 - 4.10	605,000
Revenue notes:			
Sewer (State Revolving Funds)	Feb 1, 1997	4.85 - 5.75	\$ 135,000

See accompanying independent auditor's report

Schedule 3

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
	\$ 335,000	-	80,000	255,000	17,225	-
	430,000	-	85,000	345,000	15,260	-
	\$ 765,000	-	165,000	600,000	32,485	-
	\$ 15,000	-	15,000	-	863	-

City of Belle Plaine

Bond and Note Maturities

June 30, 2007

Year Ending June 30,	General Obligation Bonds				Total
	Municipal Building Project - Fire Center		Refunding Notes		
	Issued Oct 1, 1995		Issued Jun 10, 2004		
	Interest Rates	Amount			
2008	5.10	80,000	3.35	90,000	170,000
2009	5.20	85,000	3.60	95,000	180,000
2010	5.25	90,000	3.80	95,000	185,000
2011		-	4.10	65,000	65,000
Total		\$ 255,000		345,000	600,000

See accompanying independent auditor's report

City of Belle Plaine

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property tax	\$ 747,305	\$ 745,619	790,604	775,342
Tax increment financing	119,692	113,268	108,739	102,655
Other city tax	228,810	299,037	148,016	867
Licenses and permits	15,012	10,585	10,056	6,490
Use of money and property	42,497	36,205	28,542	29,740
Intergovernmental	254,209	244,444	351,415	261,038
Charges for service	73,210	105,063	68,172	69,554
Special assessments	13,934	6,829	1,490	3,411
Miscellaneous	343,880	194,892	239,675	221,998
Total	<u>1,838,549</u>	<u>1,755,942</u>	<u>1,746,709</u>	<u>1,471,095</u>
Disbursements:				
Operating:				
Public safety	344,252	335,867	290,660	321,695
Public works	338,178	367,577	489,343	274,544
Health and social services	15,246	5,940	6,532	9,424
Culture and recreation	300,628	288,343	345,254	262,247
Community and economic development	33,713	6,614	-	17,569
General government	152,491	161,333	164,953	170,272
Debt service	198,285	328,431	253,919	862,480
Capital projects	207,504	47,566	146,354	160,931
Total	<u>\$ 1,590,297</u>	<u>\$ 1,541,671</u>	<u>1,697,015</u>	<u>2,079,162</u>

See accompanying independent auditor's report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 18, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Belle Plaine's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Belle Plaine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Belle Plaine's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Belle Plaine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Belle Plaine's financial statements that is more than inconsequential will not be prevented or detected by the City of Belle Plaine's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Belle Plaine's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belle Plaine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Belle Plaine's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Belle Plaine's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Belle Plaine and other parties to whom the City of Belle Plaine may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Belle Plaine during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

September 18, 2007

City of Belle Plaine
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Belle Plaine was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2007.

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-07 IPERS Contribution Remittance - During the year there were instances where the IPERS contributions were miscalculated for remittance. It appeared that the City's computer software was malfunctioning and generating the incorrect contribution amount.

Recommendation - The City should review all reports generated by the payroll software system before sending to IPERS, and recalculate the contribution amount calculated by the software for propriety.

Response - We are aware of the problem and will take the necessary steps to remedy the situation.

Conclusion - Response acknowledged. IPERS verifies all contributions so any instances of miscalculation that occur are caught and corrected during the next quarter. The City was not overpaid or underpaid into IPERS as of June 30, 2007.

INSTANCES OF NON-COMPLIANCE:

No matters were reported

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Other Findings Related to Statutory Reporting:

III-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

III-B-07 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Richard Allen, City Employee, Owner of R.A. Tree Service	Tree removal	\$ 8,038

In accordance with Chapter 362.5(4) of the Code of Iowa, a portion of the amount paid to the employee, \$3,350, does not appear to represent a conflict of interest because it was derived from a contract made through the competitive bid process.

In accordance with Chapter 362.5(5) of the Code of Iowa, the remaining portion of the amount paid to the employee, \$4,688, does not appear to represent a conflict of interest since the remuneration of employment will not be directly affected as a result of the contract, and the duties of employment do not directly involved the procurement or preparation of any part of the contract.

III-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-07 Council Minutes – There was one transfer for \$14,746 from the Trust & Agency – Library Improvement fund to the General Fund that was not approved during the year.

Recommendation – The Council should approve all transfers.

Response – We will try to approve all transfers in the future.

Conclusion – Response accepted.

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

- III-G-07 Deposits and Investments – No instances of non-compliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment provisions were noted.
- III-H-07 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.
- III-I-07 Payment of General Obligation Bonds – The City properly paid for its general obligation bonds out of the Debt Service fund.
- III-J-07 Financial Condition – The Sewer Fund had a deficit balance at June 30, 2006 of \$49,525.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The Council is aware of this deficit and is working to cure it.

Conclusion – Response accepted.

City of Belle Plaine

Staff

This audit was performed by:

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Gina Trimble, CPA, Manager